

# MINUTES

## A&B - Public

<b>Pension Fund Committee</b> <b>Council Chamber, Town Hall, Lerwick</b> <b>Tuesday 5 March 2019 at 1.30pm</b>  <b>Present - Members:</b> A Cooper                S Coutts S Leask                E Macdonald I Scott                G Smith T Smith                R Thomson  <b><u>Apologies:</u></b> R McGregor R Thomson (for lateness)	<b>Pension Board</b> <b>Council Chamber, Town Hall, Lerwick</b> <b>Tuesday 5 March 2019 at 1.30pm</b>  <b>Present - Members:</b> M Bell                J Fraser A Hawick                J Johnston D Marsh  <b><u>Apologies:</u></b> A Taylor
<b>In Attendance:</b> J Manson, Executive Manager – Finance J Riise, Executive Manager – Governance and Law M Smith, Team Leader - Expenditure C Bain, Treasury Accountant S Brown, Senior Assistant Accountant A MacIver, Assistant Accountant L Adamson, Committee Officer  <b><u>Also in Attendance:</u></b> K Jupp, Blackrock J Griffith, KBI Global Investors G Maher, KBI Global Investors	

### **Chair**

Mr Coutts, Chair of the Pension Fund Committee presided.

### **Circular**

The circular calling the meeting was held as read.

### **Declarations of Interest**

None

### **Minutes**

Subject to the following, the minutes of the meeting held on 5 December 2018 were confirmed on the motion of Mr Leask, seconded by Mr Scott.

#### **23/18 - Scottish LGPS Restructure Review – Consultation Final Response**

During the debate, the reference to “union and staff representatives”, should read “Admitted Body representatives”.

#### **01/19        Presentation by KBI Global Investors**

The Chair welcomed Mr Griffith and Mr Maher to the meeting.

Mr Griffith and Mr Maher gave a presentation entitled “KBI Global Investors – Equity Strategies” (copy of the handout attached as Appendix A). The presentation provided an overview of the company, and informed on the management of funds investing over the longer-term. Members of the Committee and Board were advised that the most recent value of the fund was £101m, compared to £68m at the date of inception in December 2014.

*(Mr Thomson attended the meeting).*

During the discussion, and in response to questions, Mr Maher advised on the three-step systematic monthly process carried out by KBIGI, checking for any changes to be made in stocks to ensure investments are performing to generate returns. He advised that 6.8% would be considered the normal return from equities, which he said was an attractive return compared to some of the different asset classes.

The Chair thanked Mr Griffith and Mr Maher for the update provided.

02/19

**Presentation by BlackRock**

Ms Jupp, Blackrock, gave a presentation entitled “Shetland Islands Council Pension Fund” (copy of the handout attached as Appendix B). The presentation included an overview of Blackrock, and informed on the Pension Fund’s investments split between the UK and global allocation in passive funds, focusing on relative return. It was noted that the value of the Fund at 31 December 2018 was £193m. During the presentation, Ms Jupp reported on the very challenging year for the markets during 2018, particularly in the last quarter, however she said that the outlook for 2019 was more positive.

*(Mr Cooper attended the meeting).*

In response to questions, Ms Jupp advised on the benefit of continually holding an allocation of cash within the Fund. She also advised on the impact of inflation in terms of stability on the UK equity markets. There were no further questions, and the Chair thanked Ms Jupp for the information provided.

03/19

**Management Accounts for Pension Fund Committee: 2018/19 Projected Outturn at Quarter 3**

A report by the Executive Manager – Finance (F-013), enabled the Committee and Board to monitor the financial performance of the Pension Fund to ensure Members are aware of the forecast income and expenditure position and its impact on delivery of the approved budget.

The Executive Manager – Finance summarised the main terms of the report.

In responding to a question on the projected overspend position at Quarter 3, the Executive Manager – Finance advised that the main variances related to the value of lump sums payable and retirements. He added that in any year the budget can be exceeded or underspent by a number of factors, and while this was difficult areas to predict, it was manageable and not out with expectations.

In response to a question, the Team Leader – Expenditure advised that the income from early retirements where strain cost payments have been made by the service

would be included in the figure at “contributions received”. She added that for this year there have been two such retirements, however only one had a strain cost to be paid to the Pension Fund, with the other meeting the Rule of 85.

There were no further questions, and the Committee and Board noted the report.

---

**Decision:**

The Pension Fund Committee and Pension Board **NOTED** the Management Accounts showing the projected outturn position at Quarter 3.

04/19

**Pension Fund – Quarter to December 2018 Investment Review Report**

The Committee and Board considered a report by the Executive Manager – Finance (F-021) that presented the investment position and performance of the Pension Fund’s external investments, managed by Fund Managers, for the quarter to December 2018.

In introducing the report, the Executive Manager – Finance commented on the mixed performance from Fund Managers during the 3<sup>rd</sup> quarter. He also reported that the outcome from the review of the Pension Fund Investment Strategy could result in changes to the investments in the future.

In response to a question, the Executive Manager – Finance advised on the proposed timescale for a response following the consultation on the Scottish Local Government Pension Scheme Restructure review.

There were no further questions, and the Committee and Board noted the report.

---

**Decision:**

The Committee and Board **NOTED** the contents of the report.

05/19

**Annual Audit Plan 2018/19**

The Committee and Board considered a report by the Executive Manager – Finance (F-018) that presented the Annual Audit Plan for the 2018/19 financial year by the Pension Fund’s external auditors, Deloitte LLP.

The Executive Manager – Finance introduced the report. There were no questions, and the Committee and Board noted the report.

---

**Decision:**

The Committee and Board **NOTED** the contents of the Audit Plan 2018/19 for Shetland Islands Council Pension Fund from external auditors, Deloitte LLP.

06/19

**2019/20 Budget Proposal – Pension Fund**

The Committee and Board considered a report by the Executive Manager – Finance (F-014) that presented the proposed Pension Fund budget for 2019/20.

In introducing the report, the Executive Manager – Finance advised on the range of assumptions taken into account when setting the pension fund budget for 2019/20.

In response to a question, the Executive Manager – Finance advised on the expectation that the Pension Fund would be fully funded by 2027.

There were no further questions. During debate, reference was made to a key issue listed at Section 4.1, being the assumption that all admitted bodies would be awarding the 3% pay increase to staff.

On the motion of Mr Coutts, seconded by Mr Leask, the Committee moved the recommendation in the report.

The Pension Board noted the report.

---

**Decision:**

- The Pension Fund Committee **RESOLVED** to approve the budget proposals for 2019/20.
- The Pension Board NOTED the report.

07/19

**Shetland Islands Council Pension Fund – Training Policy**

The Committee and Board considered a report by the Executive Manager – Finance (F-024) that presented the Training Policy for the Shetland Islands Council Pension Fund.

The Executive Manager – Finance summarised the main terms of the report.

In response to a question regarding the training arrangements at section 5.3 of the Policy, the Executive Manager – Finance reported on the expectation that Committee and Board Members would attend at least two training events and three out of the four formal joint meetings annually, in order for Members to fulfil their duties on the Pension Fund Committee/Board.

During the discussion, it was suggested that a list of training dates for the year ahead would be advantageous to allow Members to plan in early course for their attendance at the training events.

It was advised the arrangements were being made for the Fund Actuary, Hymans Robertson, to provide a training session at the next meeting on 9 May 2019. In that regard, Members were encouraged to relay any particular areas of focus that could be covered in the training session.

During debate, Mr Coutts commented that he welcomed the training policy, advising on the importance for Members have the appropriate level of knowledge going forward. Mr Coutts moved that the Committee approve the recommendation in the report. Mr Thomson seconded.

The Pension Board noted the report.

---

**Decision:**

The Pension Fund Committee **RESOLVED** to approve the Training Policy.

The Pension Board noted the report.

*(Ms Hawick, Mr G Smith and Mr T Smith left the meeting).*

08/19

### **Pension Fund Risk Register**

The Committee and Board considered a report by the Executive Manager - Finance (F-026), which provided up to date information on the risks associated with the Council's Pension Fund.

In introducing the report, the Executive Manager – Finance highlighted the two risks where the scores had recently changed, as set out in Section 4.7.

In responding to a question, the Executive Manager – Finance said that depending on the outcome of the consultation, the Local Government Pension Fund Restructure review would be added as a risk on the Risk Register.

During the discussion, reference was made to Risk No.13 on the Risk Register, "Funding – Employers leaving the scheme/closing to new members due to cost of cessation". Comment was made on the significance of this risk, and while it was noted the risk was currently ranked as 'high' it was questioned whether this was an area where additional focus was required. The Executive Manager – Finance advised on the safeguards in place to protect the Fund should admitted bodies come out of the Scheme. Mr Johnson referred to the meeting last year with representatives of the Admitted Bodies which he said had been very useful and beneficial, and he questioned whether a similar meeting was proposed for this year. During further discussion, it was proposed that a meeting with representatives of the Admitted Bodies would be arranged when the Fund Actuary was in Shetland in May 2019. Mr Johnston was asked to provide a list of questions to focus discussion.

There were no further discussion, and the Committee and Board noted the report.

---

### **Decision:**

The Pension Fund Committee and Board **NOTED** the content of the report and the current Risk Register.

09/19

### **Pension Fund Committee and Pension Board Business Programme - 2019/20**

The Committee and Board considered a report by the Executive Manager - Finance (F-025), which informed of the planned business to be presented to the Committee/Board to 31 March 2020.

The Executive Manager - Finance introduced the report, and the business programme at Appendix 1.

There were no questions, and the Committee and Board noted the report.

---

### **Decision:**

The Pension Fund Committee and Board noted the planned business for financial year 1 April 2019 to 31 March 2020 as set out in the Business Programme.

The meeting concluded at 3.20pm.

.....  
Chair